

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

Notice PF-186

**For:** State and County Offices

**Disabling FY 1998 and FY 1999 PFC Overpayment Processing**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A**

**Background**

2-PF, paragraph 221 specifies that County Offices are required to process overpayments for **all** farms every 60 calendar days until the program is officially closed out. Currently, overpayment software is enabled for:

- program year 1995 Acreage Reduction Program (ARP)
- FY 1998 through FY 2002 for production flexibility contract (PFC)
- FY 1998 through FY 2001 for market loss assistance (MLA).

**B**

**Purpose**

This notice:

- advises State and County Offices that the FY 1998 and FY 1999 PFC overpayment processes **will be disabled** when **County Release No. 488** is installed
- instructs County Offices to:
  - process FY 1998 and FY 1999 PFC overpayments before **June 21, 2002**
  - ensure that all legitimate debts to CCC are immediately transferred to Common Receivable System (CRS)
  - ensure that FY 1998 or FY 1999 PFC overpayments that were transferred to CRS that are not legitimate debts to CCC are canceled before **June 21, 2002**
  - ensure that outstanding FY 1998 and FY 1999 PFC receivables are timely transferred to the automated claims system
- instructs DD's to review FY 1998 and FY 1999 PFC overpayment registers by **June 24, 2002**, to ensure that all legitimate debts are transferred to CRS before **June 28, 2002**.

**Disposal Date**

November 1, 2002

**Distribution**

State Offices; State Offices relay to County Offices

5-29-02

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## Notice PF-186

### 2 Requirements for Processing ARP and PFC Overpayments

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#### A

##### Introduction

2-PF, paragraph 221 specifies that overpayments shall be calculated for **all** farms for all program years at least once every 60 calendar days to ensure that:

- producers are timely notified of overpayments
- the finality rule will not apply.

County Offices shall continue to compute overpayments at least every 60 calendar days until the program is officially closed out. The program is not officially closed out until the software options are disabled.

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#### B

##### Reasons for Closing Out FY 1998 and FY 1999 PFC Overpayment Options

PFC overpayment processes use supporting files to determine whether a producer has been overpaid. These files include:

- subsidiary files, such as:
  - payment limitation file
  - eligibility file
  - joint operation, entity, and combined entity files
- PFC worksheet and share files
- farm and tract maintenance files.

Currently, most of these files are only enabled for the most current 3 years.

While the PFC worksheet and share files are still enabled, updates to the FY 1998 and FY 1999 contract data are limited because of the unavailability of farm and tract maintenance files for FY 1999 and prior years. Therefore, County Office users are limited in their capability to update these supporting files if it is determined that a producer has actually been overpaid.

Unless a new determination is made affecting FY 1998 and FY 1999 payments, there is no longer a need to continue processing overpayments for these years because all legitimate overpayments should have already been transferred to CRS.

**Note:** Although MLA payment processing has been disabled for all program years, the program has not been closed out for any year. This notice does not address MLA overpayment processing, therefore County Offices shall continue to process MLA overpayments at least every 60 calendar days.

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## 2 Requirements for Processing ARP and PFC Overpayments (Continued)

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### C

#### **Processing FY 2000 and Future Year Overpayments**

County Offices are still required to process PFC overpayments for **all** farms at least every 60 calendar days for FY 2000 and future years until the program year is officially closed out.

**Note:** County Offices shall process MLA overpayments for **all** farms at least every 60 calendar days for FY 1998 and future years until the program year is officially closed out. It is imperative that County Offices process MLA overpayments and immediately transfer legitimate debts to CCC.

County Offices shall ensure that overpayment registers are thoroughly reviewed and that either of the following occurs for each overpayment listed.

- Overpayment is transferred to CRS.
- The condition causing the overpayment to be listed is immediately corrected.

If it is determined that an overpayment is not a legitimate debt but is caused by a condition that cannot be corrected in the system, County Offices shall:

- thoroughly document the following:
  - reason the overpayment is not a legitimate debt
  - condition causing the overpayment and why action cannot be taken to correct the condition
- submit the documentation to the State Office for review.

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## 2 Requirements for Processing ARP and PFC Overpayments (Continued)

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### D

#### 1995 ARP Overpayments

The Federal Agriculture Improvement and Reform Act of 1996 provided that PFC payments shall be immediately reduced by the amount of 1995 deficiency overpayment amounts. Receivables established for 1995 overpayments are PFC payment reductions, if the producer enrolled in the Agricultural Market Transition Act in 1996. These overpayments will remain in the receivable system until further notice.

Because of the provisions of the 1996 Act and the fact that all 1995 deficiency overpayment amounts have not been fully satisfied, the 1995 ARP overpayment process remains enabled. County Offices shall ensure that:

- overpayments are computed as required in 7-PA, paragraph 192.4
  - PFC payments are reduced, as required, to satisfy 1995 overpayments.
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## 3 Verifying Overpayments Listed on PFC Overpayment Registers

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### A

#### Introduction

County Offices are required to:

- verify that all amounts listed on overpayment registers are legitimate debts **before** transferring the overpayment to CRS and notifying the producer accordingly
- correct the condition causing the overpayment to be listed on the overpayment register if it is determined that the overpayment is not a legitimate debt.

There are several conditions that may cause a producer to be listed on overpayment registers that cannot be corrected. These conditions are listed in subparagraphs B through D.

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### 3 Verifying Overpayments Listed on PFC Overpayment Registers (Continued)

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#### B

#### **Reductions Recorded Through Special Payment Processing**

Review of overpayment registers has identified situations where County Offices recorded a payment reduction through special payment processing before the PFC payment processing options were disabled for the applicable fiscal year.

**Note:** Special payment processing has not been implemented for FY 2000 and future years.

In these situations, it was later determined that the payment reduction was not a legitimate reduction and the County Office subsequently requested authorization codes to issue additional payments to the producer. Unless the invalid payment reduction was “zeroed” out through special payment processing before the payment software was disabled, that reduction remains on the payment history file and there is not any action the County Office can take to remove it. The producer will be listed on the overpayment register if subsequent authorized payments are issued.

**Example:** Producer A earned \$1,000 on wheat. When the payment was processed, the County Office issued \$600 to the producer with a \$400 graduated payment reduction (GPR). At this point, the producer has been paid \$1,000 even though the producer actually only received \$600.

The County Office subsequently determines that the \$400 payment reduction was invalid and requests an authorization code to issue \$400 to the producer. After the \$400 authorized payment is issued, the producer will be listed on the overpayment register because:

- GPR was never zeroed out
- system computes that the producer earned \$1,000 but has been paid \$1,400 .

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### 3 Verifying Overpayments Listed on PFC Overpayment Registers (Continued)

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#### C

##### **Subsidiary Changes**

In some cases, authorization codes have been issued after the subsidiary maintenance options were disabled for the affected year. As a result, the subsidiary files were not updated to properly reflect the producer's eligibility status; however, the authorization codes were issued because the producer was actually eligible for payment.

In these cases, the producer will be listed on the overpayment register because the subsidiary flags or payment limitation amounts are incorrect. Since County Offices no longer have access to update FY 1998 and FY 1999 subsidiary files, the condition cannot be corrected so payments issued to the producer may be listed on the overpayment register.

**Example:** Producer's actively engaged flag is in a suspended condition for FY 1998 and the condition causing the suspension was never rectified. Any payment issued to this producer will be listed on the overpayment register and there is not any action that County Offices can take to rectify this condition. However, the producer is not actually overpaid unless the suspended condition is valid.

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#### D

##### **Purged Name and Address Records**

Producers are purged from the name and address file if they have not been active for the past 3 years. As a result, some producers, that legitimately earned a payment in a prior year, may be listed on the overpayment register because they are no longer on the name and address file. In these cases, the message "Producer is Inactive or Not on the Name & Address File" will be printed on the overpayment register.

Some County Offices have added producers back to the name and address file when this condition is found. This action is not necessary. The overpayment register should be notated that the producer earned the payment and has not been active for the past 3 years.

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## Notice PF-186

### 4 Handling FY 1998 and FY 1999 PFC Receivables

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#### A

##### Introduction

67-FI, paragraph 236 specifies that receivables shall be transferred to claims status that:

- are not transferred to note receivables
  - are not written off
  - were the cause of a first demand letter being issued, and over 30 calendar days have elapsed since the letter was issued.
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#### B

##### Identifying Outstanding FY 1998 and FY 1999 PFC Receivables

There are several reports in the CRS application that identify outstanding receivables.

- Individual Producers with Outstanding Receivables
- Partnerships and Joint Ventures with Outstanding Receivables
- All Outstanding Receivables Older Than 60 Days.

Receivables listed on any of these reports identified with a program code beginning with “98PFC” or “99PFC” shall to be reviewed to determine whether the receivable:

- is a legitimate debt to CCC
  - should be transferred to claims status.
- 

#### C

##### Transferring Receivables to Claims

If it is determined that an outstanding receivable is a legitimate debt to CCC and **potentially qualifies** to be transferred to claims status, County Offices shall follow the guidelines in 67-FI, subparagraph 236 B for transferring receivables to claims.

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#### D

##### Canceling Erroneous PFC Receivables

If it is determined that an outstanding receivable is not a legitimate debt to CCC, County Offices shall cancel the overpayment according to 2-PF, paragraph 229.

**Note:** Overpayments cannot be canceled if a full or partial collection has been applied to the receivable. In these cases, County Offices shall cancel the remittance on CCC-257 according to 67-FI so that the overpayment/receivable can be canceled.

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## 5 Action

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### A County Office Action

County Offices shall:

- process FY 1998 and FY 1999 PFC overpayments for **all** farms as many times as necessary to ensure that all legitimate debts are transferred to CRS before **June 21, 2002**

**Note:** If it is determined that an overpayment listed on the overpayment register is not a legitimate debt, County Offices shall notate the following on the overpayment register:

- reason why the overpayment is not a debt
- why the system cannot be updated to remove the listing from the register.
- generate the reports identified in subparagraph 4 B to ensure that all outstanding receivables that are legitimate debts to CCC are transferred to claims status timely and according to 67-FI
- cancel any FY 1998 and FY 1999 PFC receivable that is not a legitimate debt to CCC according to 2-PF, paragraph 229 before **June 21, 2002**.

After installing County Release No. 488, County Offices shall manually establish receivables for newly identified FY 1998 and FY 1999 PFC overpayments according to 67-FI.

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### B DD Action

DD's shall review:

- FY 1998 and FY 1999 PFC overpayment registers by **June 24, 2002**, to ensure that:
    - all legitimate debts are transferred to CRS before **June 28, 2002**
    - the reasons provided for an overpayment not being a legitimate debt and the system not being able to be updated to correct the condition causing the overpayment are thoroughly documented and validated
  - outstanding receivable reports by **June 24, 2002**, to ensure that all outstanding FY 1998 and FY 1999 PFC receivables are either:
    - transferred to claims status timely as required in 67-FI
    - canceled from the PFC overpayment process before **June 28, 2002**.
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